

Students' Perceptions of Factors that Affect College Funding Decisions

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A special thanks to financial aid professionals at Southeastern Louisiana University, Louisiana State University, the Louisiana Office of Student Financial Aid, and the Louisiana Board of Regents. Data collected from interviews with these experts about the U.S. student financial aid process and the Louisiana student financial aid system was used to help develop this study.

Conceptual Framework

This exploratory study examines the factors that college students perceive are important in helping them make good financial decisions about paying for a college education. The study categorizes and summarizes students' self-reported responses to an open-ended survey question about recommendations for changes in financial aid counseling practices. The 335 student responses had a recurring theme of better information provided through individual counseling sessions.

The current cost of attending college for four years at an in-state public college is \$50,000, and the cost of attending college for four years at a competitive private college is \$160,000 (Chatzky, 2003). While default rates have dropped during the last few years, loan volume has continued to increase. In fact, in September 2003, there were 22 million borrowers with outstanding federal student loans that totaled \$287 billion (U.S. Department of Education, 2003). By funding their education with student loans, college students are accumulating debt that can affect their career and life decisions for years to come (Lamkin, 2004; Fossey, 1998; Porter, 1999).

Federal financial aid regulations recognize the importance of providing students with money management information, and require postsecondary institutions to provide information to their students about the types of financial aid available, and to provide debt management exit counseling to their student loan recipients (U.S. Department of Education, 1997).

Many studies have considered the factors that contribute to poor college funding decisions, especially student loan defaults (Fossey, 1998; Mortenson, 1993; Porter, 1999, Volkwein et al, 1998). However, few studies have explored this issue directly from the viewpoint of the students with an emphasis on prevention. This exploratory study identifies the factors that college students perceive are most helpful in making good decisions about college funding.

In defining the financial aid system, this research uses a conceptual framework developed by Porter (1999) that divides the financial aid system into four categories (see Figure 1):

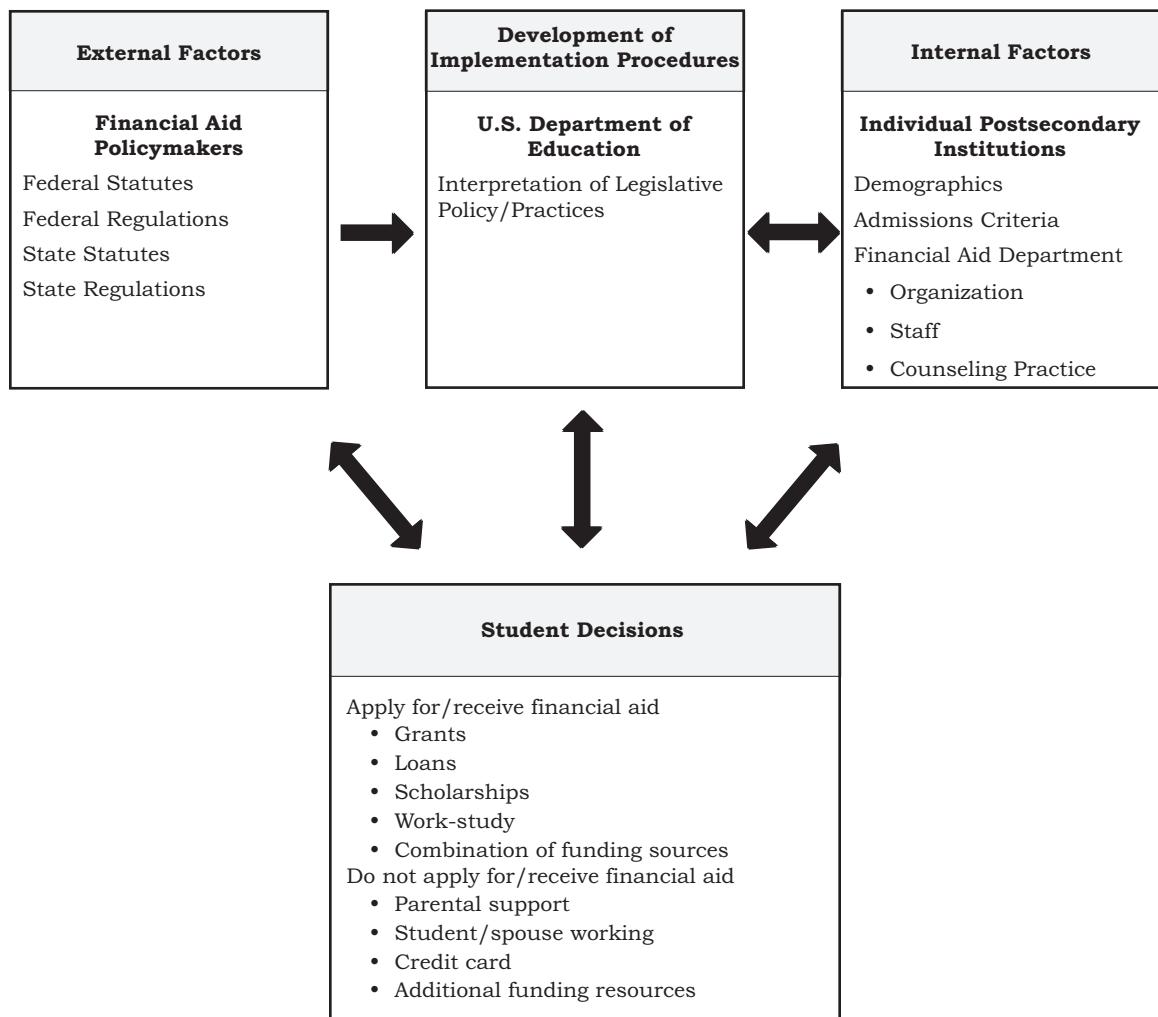
1. External factors are federal and state statutes and regulations created through legislation (U. S. Department of Education, 1997).
2. Development of implementation procedures by Department of Education professionals to interpret the statutes and regulations.

3. Internal factors at individual postsecondary institutions that affect financial aid such as demographics, admissions criteria, financial aid staff, counseling practices, and institution purposes for and assumptions about financial aid.
4. Implementation effectiveness—the focus of this study—which examines factors that affect students' decisions on how they will pay their postsecondary expenses.

Methodology

A qualitative research design (Hittleman & Simon, 1992; Patton, 1990; Suskie, 1992) was selected to answer the following research

Figure 1
Conceptual Framework of the Financial Aid Process*



*Adapted from Porter, 1999.

question: What factors do students perceive help them to make good college funding decisions?

Sample

The target population was approximately 29,000 students enrolled in a research university in the Southeastern region of the United States during the spring semester of 1999. In 1997 (latest available data at the time the study was designed), this institution distributed a total of \$27,310,094 in unsubsidized Stafford Loan funds to 7,020 students (Louisiana Office of Student Financial Aid, 1998). It was estimated that approximately 8,000 students would accept over \$36 million in loans for the 1998-99 school year. This represents approximately one-third of the student body; therefore approximately 1,200 students were surveyed to increase the probability that the study would meet or exceed the sample size of 400 needed for a 95% confidence level that research findings are true results and not sampling errors (Snedecor & Cochran, 1971; Suskie, 1992).

To ensure more accurate results, systematic cluster sampling was used to distribute the sample more evenly over the available population. Each course listed in the Spring 1999 course schedule bulletin was assigned a number. A random number of 76 was generated as the first course selected and every 150th course after that course was selected for the sample until approximately 1200 students were part of the sample.

Students identified as part of the sample were asked to participate voluntarily in the study. By completing and returning the survey, they gave permission to the researchers to use the data for this study. Since financial aid is a sensitive subject, this process provided complete anonymity for participants. A total of 335 students—which represents 27.9% of the selected sample and 1.2% of total students enrolled—chose to participate in the study.

Data Collection

Study participants were asked to respond, in writing, to the following question: What additions/changes would you suggest in financial aid counseling practices to help students make good financial decisions about paying for their college education? Feel free to cite personal experiences.

Responses were entered into a word processing program exactly as they appeared in written form, including emphasis marks. Researchers analyzed printed copies of all responses to identify, code, and categorize the emergent primary patterns in the data (Patton, 1990). They assigned each response to a single category that represented the primary emphasis of that response.

Limitations

Data were collected and analyzed from one institution because of the limited availability of research personnel and funding. Findings may not be applicable to institutions that do not closely match the institution used in the study. The study institution is a research university with an ethnically diverse undergraduate

and graduate population that is located in the southeast United States. The sample represented 1.2% of the institution's population. While the sample size of 335 was less than the ideal sample size recommended by Snedecor and Cochran, it did fall into the adequate range they defined for useable data (Snedecor & Cochran, 1971).

Another limitation of this study is that survey responses were voluntary. Students who chose to participate in the study may have been more knowledgeable about college funding than students who chose not to participate in the study. Also, because self-reported data was used, this study assumes that participants were honest and accurate in their responses.

Data Analysis and Results

To be considered a category, a minimum of seven responses had to focus on the same issue (Patton, 1990). Using this category definition, eleven researcher-named categories emerged from the findings: 1) Counseling Practices, 2) Scholarship Opportunities, 3) Advice, 4) Student Loans, 5) Tuition and Fees, 6) Funding Information, 7) Credit Card Use, 8) Financial Aid Experience, 9) Work Opportunities, 10) Satisfied with System, and 11) Options for Non-Residents. Participant response frequencies are shown in Table 1.

Counseling Practices

Counseling Practices, the largest category (33.4%), included issues such as the financial aid counselors' willingness to help students and the content of counseling sessions. Following are some of the comments from the 112 responses in this category:

Table 1
Emergent Categories for Participant Responses

Category	Frequency	Percent
Counseling practices	112	33.4
Scholarship opportunities	53	15.8
Advice	42	12.5
Student loans	26	7.8
Tuition and fees	21	6.3
Funding information	19	5.7
Credit card use	17	5.0
No financial aid experience	16	4.8
Work opportunities	12	3.6
Satisfied with system	9	2.7
Options for non-residents	8	2.4
TOTALS	335	100%

Make mandatory career counseling in first semester, e.g., financial choices, scheduling (not just orientation).

I think there should be a conference for each student before the semester begins to explain to them the best ways to finance their college education.

Schools should have college counselors that begin working with high school students as early as freshman year. Their involvement can motivate the student to make better grades[,] to achieve college goals[,] and [to] prepare for the financial situation.

I would recommend that high schools and colleges counsel students personally on their financial aid options, not just have workshops. People are usually confused when they decide about financial aid and should have the financial aid process explained completely to them.

Scholarship Opportunities

The Scholarship Opportunities group saw scholarships as the ideal funding source.

Tell students to bust their [tails] in high school and get scholarships. There are a plethora of them and they are not unattainable.

Many in this group expressed frustration that they did not have the information they needed to apply for scholarships and they felt they had missed golden opportunities.

I have a scholarship for tuition. Had I known about it, I could have had a state scholarship that, given my ACT score and high school GPA, would have given me \$400 per semester for books. Now, I'm newly married and find it hard to come up with that money each semester for books.

Advice

The Advice group showed the most variance in responses. Answers ranged from serious, viable suggestions such as

Always apply for federal aid even if you don't think you qualify;

to comments on the students' personal circumstances

Financial aid should not exclude families with good income. My parents make decent money but I don't want to depend on them for tuition; especially since they have five other children to put through school.

to socially unacceptable solutions such as

Sell illegal contraband.

Student Loans

Students in the Student Loans category focused on problems associated with using loans to pay college expenses. For example

Don't take out loans unless you know what you're getting into! Most college students don't seem to have a clue about this.

When I started at [school name], I got the impression at orientation that loans were evil and should be avoided at all costs. Then I got work-study and began working at [the office of Student Aid and Scholarships on campus]. It was through that job that I learned student loans have low interest rates (much lower than credit cards) and you don't have to pay them back until six months after graduation. I wish I had known that sooner.

Tuition and Fees

The Tuition and Fees respondents focused on problems associated with university tuition and fees.

I think the schedule book should include [classes'] book requirements for each section and their possible prices. I think we should know if the books are going to be new or old. This would help students and their parents create budgets..."

Help Please!! Lower the cost of school.

Funding Information

The Funding Information group stressed the importance of having good information about financial aid options.

A simple, concise, almost grade-school type brochure explaining the ramifications of interest, debt, etc., should be available.

My parents have larger incomes, so I am not eligible for financial aid. However, I was told by a friend that if I claim myself, federal aid would become an option. I think that students should be made aware of all options—not just what's available based on your parents' income.

Credit Card Use

The theme for the Credit Card Use group could be summed up as

I need help with debt management!!

Tell them not to use credit cards! There are lots of other resources available.

No Financial Aid Experience

The 16 respondents in the No Financial Aid Experience group said repeatedly

I don't know about financial aid.

Reasons offered for this lack of knowledge are summed up in these students' statements:

Not sure because my parents pay!

Actually, I'm not quite sure because I've never experienced it.

Work Opportunities

The Work Opportunities group theme was

...work and save money so you don't have to borrow.

Students in this group suggested more jobs through the financial aid Federal Work-Study program and jobs in the private sector.

Satisfied with System

The Satisfied with System group felt that the current system for providing financial aid counseling is working. Their level of satisfaction ranged between the following:

...the system seems to work well

It's great.

Options for Non-Residents

International students and out-of-state residents comprised the Options for Non-Residents group. The recurring theme of this group was the unfairness of out-of-state tuition. They pointed out that

Scholarships and financial aid [are] hard to get if one is out of state but still has a better GPA than those in state students. There are very few scholarships available to people from out-of-state whose parents are not alumni. And out-of-state students bring in a lot of income to [the institution] and [the state in which the institution is located] by traveling costs, etc.

Conclusions

Overall, respondents appeared to feel that better information would result in better counseling, more scholarship opportunities, better use of student loans, better use of credit cards, more decisions to work while in college, and more options for non-residents. This emphasis on expanding the availability and quality of information is supported by critical thinking theories that identify good information as the key to improved decision making (Chaffee, 1994).

Results from this study also verified Somer's and Bateman's (1997) findings that many students express strong emotions about financial aid counseling. For example

The video we are forced to watch before getting loans is the most retarded, patronizing waste of time ever! I know loans must be paid back! I would like to have a Stupid Student Sheet every semester that says: You owe: _____ @ _____ interest when you graduate.

Educating our citizens should not be a burdensome responsibility. It is essential that all Americans be given an opportunity to secure an education. I strongly believe that education should be free. We are in a highly competitive global economy system and our survival depends on a well-educated society. If budget surpluses exist, make education a key issue. Allow all Americans to have a right to a free education and increase the pay for teachers to reflect the value that education should have in our system.

I think children with married parents should be treated more fairly because sometimes or most of the time married parents struggle as much as single parents for their kid's education...

Student suggestions for improving counseling included

- financial aid seminars on money management with emphasis on ways to save money and on the consequences of debt;
- mandatory career counseling during the student's first semester in school;
- more information about all college funding options, especially scholarships;
- identification of helpful Web sites for additional financial aid information; and
- interaction opportunities for students just entering the loan process with alumni who are making loan repayments.

Recommendations

Data collected from students in this study indicate that financial aid counseling is a critical factor in helping them make sound financial decisions about paying for a college education. Additional research is needed to identify the best counseling practices for helping students understand the financial decisions they are making. Research on best counseling practices might also provide accountability data needed for financial aid professionals to show the value of their work with students. This pilot study can be used as a model for gathering information on current counseling practices since it was easy to implement and provided immediate feedback on financial aid counseling practices.

For future research, the researchers also recommend replication of this study at other research universities, at regional colleges, at historically black institutions, and at community colleges to verify the results for other postsecondary populations.

Additional research also needs to be conducted on financial aid counselor qualifications and training, as well as counseling practices. Several financial aid administrators who helped with the design of this study noted that most financial aid departments have limited personnel and financial resources. A small counseling staff is challenged to take care of thousands of students. Research on financial aid counseling practices can help financial aid personnel answer the question "How can we most effectively meet the challenge of helping college students make good financial aid decisions?"

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